

## Farm economy in 2001 . . . Ag policy in Japan . . . Marketing lettuce . . . 21st Century Commission . . . Smart growth & agriculture

### U.S. Farm Economy in 2001

*While the general weakness* in agricultural markets of the past couple of years continues, early signs of recovery are evident. Many farm sector indicators remain favorable, including asset values and debt levels, due in large part to record government payments. Global stocks of major crops are not excessive compared with use, farm prices are generally up, and reduced plantings in 2001 could lead to a further draw-down of stocks. However, the next couple of years are unlikely to see a strong rebound in farm prices and market income for major crops, unless global crop output drops significantly. In the longer term, continuing improvement in global economic growth will lead to stronger U.S. exports, further gains in agricultural commodity prices, and rising farm income.

### Modest Rise in Food Prices This Year

*Consumers can expect* modest increases in food prices for the fourth year in a row, with the Consumer Price Index (CPI) for all food projected up 2 to 2.5 percent in 2001. For food prepared at home, the CPI in 2001 is projected to rise 2 to 2.5 percent while food away from home is expected up 2.5 to 3 percent. The downward trend in share of household disposable personal income spent on food should continue. Continuing large meat production, lackluster growth in exports, and a slowing domestic economy may pressure meat prices downward. A combination of reduced winter acreage in first-quarter 2001 and several bouts of sub-freezing weather in Florida have reduced supplies of fresh-market vegetables and raised produce prices.

### Recommendations: Commission on 21st Century Production Agriculture

*The Commission on 21st Century Production Agriculture*, established under the 1996 Farm Act, released its report on January 31, 2001, concluding that the Federal government should develop policies and programs promoting global competitiveness of U.S. farm products. The Commission recommended specific legislative approaches to assure an income



safety net for producers, enhance risk management options, support conservation and environmentally beneficial practices, improve agricultural trade opportunities, revise individual commodity policies, and assist small and limited-resource farms.

### Japan's Changing Agricultural Policies

*Japan's government* is revising its agricultural policies and programs to stem the decline in self-sufficiency in food production, and to ensure that its farm program expenditures will be exempt from reductions required under World Trade Organization rules. In July 1999, Japan adopted the Basic Law on Food, Agriculture, and Rural Policy, to review postwar agricultural policies and set up a policymaking scheme based on four principles: securing a stable food supply, fulfilling the multiple functions of agriculture (e.g., use of rice paddies to control flooding), sustainable development of agriculture, and promotion of rural areas. Major initiatives are underway to change the structure of farming and to make it more efficient. Japan's new policy stance explicitly recognizes that food security depends on continued imports and avail-

able stocks, as well as on maintaining domestic production capability.

### Lettuce: In & Out of the Bag

*Lettuce has never been* more popular in the U.S. The average American consumed 33 pounds of lettuce in 2000—an all-time high. In response to growing consumer demand for variety, freshness, and convenience, and as a result of technological innovations in packaging materials, lettuce shippers now offer their customers everything from heads of iceberg to ready-to-eat salads. They have also adopted various business strategies to manage buyer demand for greater volume, broader product lines, and year-round availability.

### Smart Growth: Implications for Agriculture in Urban Fringe Areas

*"Smart growth"* is a catch-all phrase to describe a number of land use policies to influence the pattern and density of new development. Smart growth directs development to designated areas (cities and older suburbs) through incentives and disincentives, without actually prohibiting development outside them or threatening individual property rights. While smart growth policies have implications for farmland outside as well as inside designated growth areas, landowners most likely to experience the effects are those in close proximity to existing population centers or planned growth areas. One of the greatest impacts of smart growth policies on local agriculture will be changes in farmland values because farm real estate dominates total farm assets.

### Sheep & Lamb Inventory Continues To Decline

*The U.S. sheep industry* continues a long-term trend of negative growth that has seen the inventory shrink from a 1942 peak of 56 million head to 6.92 million head on January 1, 2001. This year's inventory is 2 percent below the level on January 1, 2000, and 50 percent below 1975, reflecting decreasing U.S. demand for wool and for lamb and mutton, and rising competition from Australia and New Zealand.